

## Message Text

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INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

EA-07 FRB-03 IO-11 NEA-10 OPIC-03 LAB-04 SIL-01 /133 W  
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P R 052050Z MAR 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC PRIORITY 0979

INFO ALL IEA CAPITALS 0008

C O N F I D E N T I A L SECTION 01 OF 02 OECD PARIS 06816

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: MARCH 4 MEETING OF IEA GOVERNING BOARD

1. SUMMARY. THE IEA GOVERNING BOARD (GB) MET INFORMALLY ON MARCH 4 TO REVIEW THE FIRST SESSION OF THE ENERGY COMMISSION AND TO DISCUSS STRATEGY FOR FUTURE SESSIONS. IT WAS AGREED THAT ON MARCH 16 THE GB WOULD REVIEW AND COORDINATE POSITIONS ON SUPPLY/DEMAND PROJECTIONS PREPARED BY THE IEA SECRETARIAT, U.S., AND EC IN ADVANCE OF THEIR PRESENTATION TO THE ENERGY COMMISSION. THE BOARD DISCUSSED PROPOSING IN THE ENERGY COMMISSION THE ESTABLISHMENT OF A PERMANENT CONSULTATIVE MECHANISM ON ENERGY ISSUES, BUT DID NOT TAKE A DECISION SINCE SOME DELEGATIONS THOUGHT SUCH ACTION PREMATURE. ALL AGREED ON THE NEED FOR CLOSE DC COORDINATION AMONG THE FOUR COMMISSIONS. AT THE MARCH 16 MEETING, THE GOVERNING BOARD WILL SET UP AN INFORMAL AD HOC GROUP TO PREPARE RECOMMENDATIONS FOR PRESENTATION OF THE PRICE ISSUE AT THE APRIL ENERGY COMMISSION MEETING. THE GB WILL CONSIDER THESE RECOMMENDATIONS AT AN INFORMAL  
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MEETING, PROBABLY IN EARLY APRIL. END SUMMARY.

2. IEA SECRETARIAT DISTRIBUTED A LENGTHY STATISTICAL PAPER CONTAINING HISTORICAL ENERGY DATA, INFORMATION ON GLOBAL RESERVES, AND SUPPLY/DEMAND PROJECTIONS FOR 1980, 1985, AND 1990. THIS PAPER WITH SOME REVISIONS WILL BE EXAMINED BY THE MARCH 8-9 EXPERTS GROUP. AT THAT MEETING THE U.S. AND EC WILL ALSO PRESENT FOR DISCUSSION THEIR OWN PROJECTIONS FOR THEIR RESPECTIVE ECONOMIES.

3. AFTER EXECUTIVE DIRECTOR LANTZKE SUMMARIZED THE IEA PAPER, THE U.S. DELEGATE INDICATED THAT THE U.S. IMPORT TARGETS WOULD BE LOWER THAN THOSE PROJECTED IN THE IEA PAPER, PRIMARILY BECAUSE OF DIFFERENT ASSUMPTIONS ABOUT OIL AND GAS PRICE DECONTROL AND INDUSTRY'S PERCEPTION OF THE LIKELIHOOD OF DECONTROL. HE SUGGESTED THAT IT MIGHT BE BENEFICIAL FOR THE INDUSTRIAL COUNTRIES TO DEMONSTRATE IN THE ENERGY COMMISSION A DETERMINATION TO REDUCE THEIR IMPORT DEPENDENCY BELOW THAT PROJECTED BY THE IEA SECRETARIAT. THE EC DELEGATE SAID THE PROJECTIONS IN ITS DRAFT PAPER, WHICH WILL BE COORDINATED IN BRUSSELS ON MARCH 5, ARE SIMILAR TO THOSE IN THE IEA DOCUMENT.

4. THE GOVERNING BOARD REACHED A CONSENSUS THAT THE THREE SETS OF PROJECTIONS DID NOT NEED TO COINCIDE, PROVIDING THE DIFFERENCES WERE CLARIFIED AND DID NOT LEAD TO DEBATE IN THE ENERGY COMMISSION BETWEEN THE U.S., EC, AND IEA AS TO WHICH NUMBERS WERE BEST. THE BOARD INSTRUCTED THE MARCH 8-9 EXPERTS GROUP TO BE SURE THE ASSUMPTIONS AND THEIR EFFECTS ON THE RESULTS WERE CLEARLY STATED IN ALL THE PAPERS.

5. THE GB ALSO DECIDED THAT A SINGLE PRICE LEVEL (CURRENT REAL PRICES) SHOULD BE USED FOR THE PROJECTIONS SUPPLIED TO THE ENERGY COMMISSION; SEVERAL DELEGATIONS EXPRESSED CONCERN THAT HIGHER PRICE SCENARIOS MIGHT STATISTICALLY INDICATE HIGHER TOTAL REVENUE FOR THE PRODUCERS. TO AVOID ANY IMPLICATION OF TACIT ACCEPTANCE OF INDEXATION, IT WOULD BE MADE CLEAR CONFIDENTIAL

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THAT THIS PRICE LEVEL WAS CHOSEN STRICTLY FOR STATISTICAL AND TECHNICAL REASONS AND DID NOT REFLECT A BELIEF THAT PRICES SHOULD OR WOULD REMAIN CONSTANT IN REAL TERMS IN THE FUTURE. THE GB ALSO AGREED TO STRESS THE UNCERTAINTIES SURROUNDING THE PROJECTIONS WHILE MAKING THE POINT THAT THE EFFECT OF RECENT MASSIVE PRICE INCREASES ON DEMAND ELASTICITIES COULD PROVE TO BE QUITE LARGE. IN THIS CONTEXT, CHAIRMAN DAVIGNON

SUGGESTED THAT A COMPARISON OF DEMAND PROJECTIONS FOR  
1980-85 MADE PRIOR TO THE OIL PRICE INCREASES OF 1973-74  
AND MORE CURRENT ONES WOULD BE USEFUL.

6. THE GB DECIDED THAT THE HISTORICAL DATA IN THE IEA  
PAPER WOULD BE GIVEN TO THE- CIEC COMMISSION SECRETARIAT  
ON MARCH 10 FOR EARLY DISTRIBUTION TO COMMISSION MEMBERS.  
THE SUBMISSION OF IEA DATA ON RESERVES AND THE

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INFO ALL IEA CAPITALS 0009

C O N F I D E N T I A L SECTION 02 OF 02 OECD PARIS 06816

PROJECTIONS IN THE IEA, U.S., AND EC DOCUMENTS  
WOULD BE DELAYED UNTIL EARLY IN THE COMMISSION'S  
SECOND SESSION TO PERMIT FURTHER REVIEW BY THE GB ON  
MARCH 16.

7. THE GB DISCUSSED BUT DID NOT TAKE A DECISION ON  
WHETHER THE INDUSTRIALIZED COUNTRIES SHOULD LATER  
PROPOSE IN THE ENERGY COMMISSION A PERMANENT PROCEDURE  
FOR PRIOR CONSULTATION OF DECISIONS AFFECTING THE

ENERGY MARKET. A NUMBER OF DELEGATIONS PREFERRED POSTPONING THIS DECISION UNTIL WE COULD BETTER JUDGE THE WORK OF THE ENERGY COMMISSION. ALL ACCEPTED THAT THIS IDEA WOULD NEED TO BE THOROUGHLY EXAMINED SUBSEQUENTLY.

8. THE GB AGREED THAT CLOSER DC COORDINATION AMONG THE FOUR COMMISSIONS WAS NEEDED. SOME DISCUSSION TOPICS IN VARIOUS COMMISSIONS OVERLAP. AND MANY ENERGY-RELATED ISSUES WILL PROBABLY BE RAISED FIRST IN OTHER  
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COMMISSIONS BECAUSE OF THE SLOWER PACE OF THE ENERGY COMMISSION. DAVIGNON, VOCALLY SUPPORTED BY THE U.S., JAPAN, SWITZERLAND, AND CANADA, STRESSED THAT DC POSITIONS ON SIMILAR ISSUES MUST BE CONSISTENT IN ALL COMMISSIONS AND THAT CARE MUST BE TAKEN NOT TO LET DISCUSSION OF ENERGY-RELATED ISSUES IN OTHER COMMISSIONS PREEMPT EXAMINATION OF SIMILAR SUBJECTS IN THE ENERGY COMMISSION (E.G. FINANCE COMMISSION'S BALANCE OF PAYMENTS DISCUSSION MUST NOT PRECLUDE ENERGY COMMISSION'S EXAMINATION OF RELATION OF ENERGY ISSUES TO GLOBAL GROWTH.) DAVIGNON REQUESTED THE IEA SECRETARIAT TO COORDINATE ITS WORK WITH THE OECD SECRETARIAT TO ENSURE A COINCIDENCE OF POSITIONS AND EXPRESSED CONFIDENCE THAT THE CANADIAN CHAIRMAN WOULD ENSURE CLOSE DC CONSULTATION THROUGHOUT THE DIALOGUE PROCESS.

9. DAVIGNON ALSO EMPHASIZED THE IMPORTANCE OF PROPER PRESENTATION OF THE PRICE ISSUE BY THE INDUSTRIALIZED COUNTRIES AT THE APRIL COMMISSION MEETING TO ENSURE THAT IT HAD THE MAXIMUM EFFECT ON OPEC PRICE DECISIONS IN MAY. HE SAID IT WAS POLITICALLY NECESSARY THAT OUR APPROACH HAVE A POSITIVE THRUST RATHER THAN BEING COUCHED PURELY IN DEFENSIVE TERMS, PARTICULARLY IN VIEW OF THE UNCTAD MEETING ALSO IN MAY. HE WILL ASK THE MARCH 16 GOVERNING BOARD TO ESTABLISH AN AD HOC GROUP TO PREPARE RECOMMENDATIONS ON HOW BEST TO PRESENT THE PRICE ISSUE FOR CONSIDERATION BY THE GB AT AN INFORMAL MEETING IN EARLY APRIL.  
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## Message Attributes

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